



# **Hector De La Torre**

## **NewsRelease**

Assembly Member • 50th Assembly District

### **For Immediate Release**

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## **Health Insurers Admit Need for External Review of Rescission Practices De La Torre Legislation Requires Prior Review by Regulators**

**SACRAMENTO** – After more than two years of negative press coverage and unfavorable court and regulatory decisions, two major California health insurance companies have announced their support for external review of their decisions to rescind or cancel policies. Assemblymember Hector De La Torre and the California Medical Association both warned that any external review process must have teeth and pointed to AB 1945 as the ideal way to provide oversight of health insurers' rescission practices.

"I am pleased that the discussion is no longer about whether retroactively canceling policies is a harmful practice. It is time to craft strong accountability measures to protect consumers," said De La Torre. "Finally health insurance companies recognize the need for a third party to review policy cancellations. A critical first step to diagnose the problem has been taken, the cure is protecting Californians when they need care."

"It is encouraging to see these companies agree that they need some oversight of their rescission practices. Admitting the problem is always the first step towards solving it," said Richard Frankenstein, M.D., President of the California Medical Association. "Unfortunately, what they appear to be proposing lacks any teeth, and will not protect Californians against the well-documented and patently unfair rescission practices of the health insurance companies. AB 1945 will protect Californians from being stranded by their health insurance company when they need coverage most."

In an interview the Los Angeles Times last week, Health Net CEO Jay Gellert pledged to stop all cancellations until an external review process could be established to approve all cancellations. In addition to signaling support for external review in the same article, Blue Cross of California issued a press release over the weekend saying it was "developing an outside third-party review process for all rescission cases."

The CMA is sponsoring a bill that would protect patients against unfair cancellations. AB 1945, by Assemblymember Hector De La Torre (D-South Gate), would require health insurance companies to seek approval from regulators before canceling a patient's policy.

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If passed into law, the bill also would require regulators to revoke the license or otherwise discipline an insurance company for retroactively canceling a policy. Last year, CMA and De La Torre teamed up to pass AB 1324, which prohibited health insurers from denying payment for treatment which they had already approved.

Blue Cross took a series of steps over the past two years to show the public it was policing itself after media exposed its practice of taking away individual policies after the patients submitted claims for treatment. But the problems have continued, most recently with reports in the past two weeks that doctors received letters asking them for information about patients so that Blue Cross could cancel the policies and not pay the bills. The CMA asked the Department of Managed Health Care to step in and stop the letter, saying it was outraged by this intervention in the physician-patient relationship. Within hours of the story breaking in the media, Blue Cross said it would no longer send out the letter.

In another blow to insurers' cancellation policies, last week the Los Angeles City Attorney's Office filed a civil lawsuit against Health Net Inc. over the same practice. Health Net was also ordered by an administrative judge to pay \$9 million to a patient with breast cancer whose policy Health Net had cancelled.

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